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John J. Finnigan, Jr.
Associate General Counsel

VIA FAX AND OVERNIGHT MAIL

November 19, 2007

Mr. Jeff Cline
Public Service Commission
Commonwealth of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

RECEIVED

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PUBLIC SERVICE
COMMISSION

Re: In the Matter of an Adjustment of Gas Rates of The Union Light, Heat and Power Company, Case No. 2001-00092; and

In the Matter of the Joint Application of Duke Energy Corporation, Duke Energy Holding Corp., Deer Acquisition Corp., Cougar Acquisition Corp., Cinergy Corp., The Cincinnati Gas & Electric Company and The Union Light, Heat and Power Company for Approval of a Transfer and Acquisition of Control, Case No. 2005-00228.

Dear Mr. Cline:

Pursuant to the Commission's January 31, 2002 Order in Case No. 2001-00092 and the Commission's November 29, 2005 Order in Case No. 2005-00228, Duke Energy Kentucky, Inc. is required to file quarterly financial statements and a report on the Company's capital structure. I have enclosed Duke Energy Kentucky, Inc.'s Supplemental Financial Statement for the quarter ending September 30, 2007 and a Capital Structure Report dated September 30, 2007. Please file-stamp the extra copy and return to me in the overnight envelope provided.

If you have any questions regarding the financial statements, please contact Mr. Don Storck, Director, Rate Services at (513) 419-6953.

Very truly yours,

John J. Finnigan, Jr.
Associate General Counsel

Enclosure
JJF/sew

cc: Mr. Don Storck

Duke Energy Kentucky

**Quarterly Supplemental Financial Statements
Balance Sheet - Page 1
As of September 30, 2007
(Unaudited)**

	<u>Electric Jurisdictional</u>	<u>Gas Jurisdictional</u>	<u>Non- Jurisdictional</u>	<u>Total Company</u>
<u>Assets</u>				
Utility Plant in Service	1,121,931,456	317,516,231	11,300,928	1,450,748,615
Construction Work in Progress	20,131,057	4,077,809		24,208,866
Less Accum. Depreciation	<u>(545,763,895)</u>	<u>(92,922,658)</u>	<u>(7,110,362)</u>	<u>(645,796,915)</u>
Net Utility Plant	<u>596,298,618</u>	<u>228,671,382</u>	<u>4,190,566</u>	<u>829,160,566</u>
Nonutility Property	0	0	13,128,643	13,128,643
Other Investments	0	0	1,500	1,500
Total Other Property & Investments	<u>0</u>	<u>0</u>	<u>13,130,143</u>	<u>13,130,143</u>
Cash	5,970,802	2,045,024	210,005	8,225,831
Working Funds	1,815	622	63	2,500
Customer Accounts Receivable	4,001,466	1,734,589	0	5,736,055
Other Accounts Receivable	5,323,709	1,823,392	187,246	7,334,347
Less Provision for Uncollectibles	<u>(216,065)</u>	<u>(93,661)</u>	<u>0</u>	<u>(309,726)</u>
Notes Receivable from Assoc. Co.	11,480,205	3,932,016	403,783	15,816,004
Accounts Receivable from Assoc. Co.	181,816	62,273	6,395	250,484
Fuel Stock	9,490,882	712,637	1,323,468	11,526,987
Gas Stored Underground Inventory	0	9,837,605	0	9,837,605
Plant Materials & Operating Supplies	8,650,272	166,986	0	8,817,258
Other Materials & Supplies	<u>(337,322)</u>	<u>(6,512)</u>	<u>0</u>	<u>(343,834)</u>
Stores Expense Undistributed	462,653	8,931	0	471,584
Prepayments	12,344,452	5,843,926	0	18,188,378
Emission Allowances	8,390,086	0	0	8,390,086
Interest & Dividends Receivable	72,586	24,861	2,553	100,000
Misc Current and Accrued Assets	<u>7,000,000</u>	<u>0</u>	<u>0</u>	<u>7,000,000</u>
Total Current & Accrued Assets	<u>72,817,357</u>	<u>26,092,689</u>	<u>2,133,513</u>	<u>101,043,559</u>
Unamortized Debt Expense	2,789,149	955,295	98,100	3,842,544
Other Regulatory Assets	1,099,733	5,690,843	0	6,790,576
Preliminary Survey & Investigation	632,137	216,509	22,234	870,880
Clearing Accounts	257,633	186,370	8,803	452,806
Temporary Facilities	<u>(225,581)</u>	<u>0</u>	<u>0</u>	<u>(225,581)</u>
Miscellaneous Deferred Debits	14,873,997	5,094,404	523,149	20,491,550
Unamortized Loss on Reacquired Debt	2,723,579	932,837	95,794	3,752,210
Accumulated Deferred Income Taxes	3,818,071	2,645,411	2,851,850	9,315,332
Unrecovered Purchased Gas Costs	0	1,676,911	0	1,676,911
Total Deferred Debits	<u>25,968,718</u>	<u>17,398,580</u>	<u>3,599,930</u>	<u>46,967,228</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>695,084,693</u></u>	<u><u>272,162,651</u></u>	<u><u>23,054,152</u></u>	<u><u>990,301,496</u></u>

Duke Energy Kentucky

**Quarterly Supplemental Financial Statements
Balance Sheet - Page 2
As of September 30, 2007
(Unaudited)**

	<u>Electric Jurisdictional</u>	<u>Gas Jurisdictional</u>	<u>Non- Jurisdictional</u>	<u>Total Company</u>
<u>Proprietary Capital</u>				
Common Stock Issued	6,373,047	2,182,795	224,153	8,779,995
Premium on Capital Stock	13,674,438	4,683,550	480,958	18,838,946
Other Paid-in Capital Stock	175,302,389	(18,678,634)	(7,968,566)	148,655,189
Retained Earnings	149,906,816	122,154,551	(71,045,696)	201,015,671
Accumulated Other Comprehensive Income	<u>(256,883)</u>	<u>(87,983)</u>	<u>(9,035)</u>	<u>(353,901)</u>
Total Proprietary Capital	<u>344,999,807</u>	<u>110,254,279</u>	<u>(78,318,186)</u>	<u>376,935,900</u>
<u>Liabilities</u>				
Bonds	197,848,745	67,763,999	6,958,750	272,571,494
Unamortized Premium on Long-Term Debt				
Less Unamortized Discount on Long-Term Debt	(484,070)	(165,796)	(17,026)	(666,892)
Total Long-Term Debt	<u>197,364,675</u>	<u>67,598,203</u>	<u>6,941,724</u>	<u>271,904,602</u>
Obligations Under Capital Leases - Noncurrent	7,953,248	2,700,088	0	10,653,336
Asset Retirement Obligation	1,633,993	7,000,219	0	8,634,212
Accum. Misc. Operating Provisions	10,631,349	7,690,665	363,242	18,685,256
Total Other Noncurrent Liabilities	<u>20,218,590</u>	<u>17,390,972</u>	<u>363,242</u>	<u>37,972,804</u>
Accounts Payable	10,318,646	3,534,178	362,928	14,215,752
Notes Payable to Assoc. Co.	38,331,195	13,128,590	1,348,188	52,807,973
Accounts Payable to Assoc. Co.	18,432,220	6,313,110	648,299	25,393,629
Customer Deposits	3,124,854	2,101,529	0	5,226,383
Taxes Accrued	11,960,328	(1,207,124)	(32,977)	10,720,227
Interest Accrued	1,495,069	512,067	52,585	2,059,721
Tax Collections Payable	1,106,377	530,728	4,828	1,641,933
Misc. Current & Accrued Liabilities	2,017,152	1,459,197	68,920	3,545,269
Obligations Under Capital Leases - Current	1,314,675	446,325	0	1,761,000
Total Current & Accrued Liabilities	<u>88,100,516</u>	<u>26,818,600</u>	<u>2,452,771</u>	<u>117,371,887</u>
Customer Advances for Construction	0	2,043,594	0	2,043,594
Accum. Deferred Investment Tax Credits	663,069	1,302,679	3,878,468	5,844,216
Other Deferred Credits	6,599,028	6,257,807	0	12,856,835
Other Regulatory Liabilities	1,196,996	512,852	0	1,709,848
Accumulated Deferred Income Taxes	35,942,012	39,983,665	87,736,133	163,661,810
Total Deferred Credits	<u>44,401,105</u>	<u>50,100,597</u>	<u>91,614,601</u>	<u>186,116,303</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u>695,084,693</u>	<u>272,162,651</u>	<u>23,054,152</u>	<u>990,301,496</u>

Duke Energy Kentucky

**Quarterly Supplemental Financial Statements
Income Statement
For the 12 Months Ended September 30, 2007
(Unaudited)**

	<u>Electric</u>	<u>Gas</u>	<u>Non-</u>	<u>Total</u>
	<u>Jurisdictional</u>	<u>Jurisdictional</u>	<u>Jurisdictional</u>	<u>Company</u>
<u>Revenues</u>				
Residential Sales	114,315,533	88,631,593	0	202,947,127
Commercial Sales	127,522,552	37,127,625	0	164,650,177
Industrial Sales	49,187,098	6,437,087	0	55,624,185
Sales to Public Authorities	21,090,574	5,843,770	0	26,934,344
Public Street & Highway Lighting	1,578,456	0	0	1,578,456
Inter-Departmental Sales	43,296	38,465	0	81,761
Misc. Service Revenues	2,545,721	35,966	691,336	3,273,023
Revenues from Transportation	0	4,739,918	0	4,739,918
Rents from Property	979,540	34,176	1,057,901	2,071,617
Other Revenues	12,912,269	5,708	0	12,917,977
Total Revenues	<u>330,175,040</u>	<u>142,894,307</u>	<u>1,749,237</u>	<u>474,818,584</u>
<u>Operating Expenses</u>				
Operation Expense	207,010,431	117,883,707	53,653	324,947,791
Maintenance Expense	33,003,618	1,879,058	33,112	34,915,788
Depreciation Expense	29,419,505	7,151,196	1,684,993	38,255,695
Amortization and Depletion	1,792,016	613,376	0	2,405,392
Taxes Other than Income Taxes	8,858,511	4,249,419	38,659	13,146,589
Income Taxes - Federal & Other	18,168,665	(1,645,345)	302,734	16,826,055
Provision of Deferred Income Taxes - Net	1,206,870	6,109,696	1,644,431	8,960,997
Investment Tax Credit Adjustment	0	413	(413)	0
Total Operating Expenses	<u>299,459,617</u>	<u>136,241,520</u>	<u>3,757,169</u>	<u>439,458,306</u>
NET OPERATING INCOME	<u>30,715,423</u>	<u>6,652,787</u>	<u>(2,007,932)</u>	<u>35,360,277</u>
<u>Other Income & Deductions</u>				
Revenues from Merchandising, Jobbing and Contract Work	0	0	643,199	643,199
Less Expense of Merchandising, Jobbing and Contract Work	0	0	(331,173)	(331,173)
Revenues from Nonutility Operations	0	0	162,934	162,934
Interest & Dividend Income	0	0	3,888,999	3,888,999
AFUDC	303,503	58,322	0	361,825
Misc. Income Deductions	0	0	(3,852,987)	(3,852,987)
Income Taxes - Federal & Other	0	0	6,984,213	6,984,213
Total Other Income & Deductions	<u>303,503</u>	<u>58,322</u>	<u>7,495,185</u>	<u>7,857,010</u>
<u>Interest Charges</u>				
Interest on Long Term Debt	(10,817,492)	(3,705,035)	(380,474)	(14,903,001)
Amortization of Debt Disc. And Expense	(446,082)	(152,785)	(15,690)	(614,557)
Interest on Debt to Assoc Co	(622,313)	(213,145)	(21,888)	(857,346)
Other Interest Expense	(643,308)	(220,336)	(22,626)	(886,270)
Less Allowance for Borrowed Fund Used During Construction - Credit	258,634	113,323	266,622	638,579
Net interest Charges	<u>(12,270,561)</u>	<u>(4,177,978)</u>	<u>(174,056)</u>	<u>(16,622,595)</u>
NET INCOME	<u>18,748,365</u>	<u>2,533,131</u>	<u>5,313,196</u>	<u>26,594,692</u>

**Duke Energy of Kentucky
Capital Structure
September 30, 2007**

	Actual June 2007	Activity	Actual September 2007
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
M2310 Long-term debt	\$ 251,034,306		\$ 251,904,602
M2430 Obligations under Capital Lease-Noncurr	\$ 11,240,821		\$ 10,653,337
Total Long-term debt	\$ 262,275,127		\$ 262,557,939
Common Stock Equity			
201000 Common Stock	\$ 8,779,995		\$ 8,779,995
207000 Prem On Capital Stock Common	\$ 18,838,946		\$ 18,838,946
208000 Donat Recvd From Stkhld Tax	\$ 143,211,362		\$ 143,211,362
208010 Donat Recvd From Stkhld Tax	\$ 5,600,021		\$ 5,600,021
211110 PIC - Sharesaver	\$ (156,194)		\$ (156,194)
216000 Unappropriated RE Bal	\$ 176,800,410		\$ 176,800,410
216990 Unapp Ret Ernngs-Curr Yr Net In	\$ 16,611,420		\$ 24,215,261
S2750 Accum other comprehensive income (loss)	\$ 155,649		\$ (353,901)
Total Common Stock Equity	\$ 369,841,609		\$ 376,935,900
TOTAL CAPITALIZATION	\$ 632,116,736		\$ 639,493,839